UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

CONSORZIO DEL PROSCIUTTO DI SAN DANIELE,	)	
Plaintiff,	)	C.A. No. 07-039ML
	)	
v.	)	
	)	
DANIELE, INC.,	)	
Defendant.	)	

PLAINTIFF'S OBJECTION TO
DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

Defendant has moved for summary judgment on Count I of the Complaint. Plaintiff objects to the motion in all respects.

Defendant claims to have complied with paragraph 5 of the settlement agreement of March 2005 between Plaintiff and Defendant. Paragraph 5 unambiguously requires Defendant to use a trademark for its line of prosciutto. Defendant has not done so and is therefore in violation of paragraph 5.

Even if Defendant were not required to use a single trademark for its line of prosciutto, Plaintiff alleges that Defendant's supposed trademarks for individual products are merely descriptive, and therefore are not valid trademarks, and accordingly are not in compliance with paragraph 5. This question raises genuine issues of material facts. The Court's decision on this question must await discovery and perhaps trial of this question.

For each of these reasons, Defendant's motion for summary judgment that it complied with paragraph 5 of the settlement agreement should be denied.

In the alternative, Defendant argues that, if paragraph 5 is held to be ambiguous, it should be construed against Plaintiff and summary judgment should be entered in favor of Defendant's interpretation. This is contrary to law, since the agreement, including paragraph 5, is a negotiated contract between two business entities. Moreover, if the Court finds the language of this provision to be ambiguous, there is no basis for summary judgment. In such case, the Court should deny Defendant's motion and allow the parties to conduct discovery and submit extrinsic evidence.

Defendant claims to have complied with paragraphs 6, 7, 8 and 10 of the settlement agreement. In support, it offers only a conclusory affidavit. This is not sufficient as a basis for summary judgment on compliance with any of these provisions. Summary judgment on these claims by Defendant should be denied for this reason alone.

In addition, Defendant's motion with respect to paragraphs 6, 7, 8 and 10 presents genuine issues of material facts. Plaintiff has evidence that Defendant has violated each of these provisions. Plaintiff needs to take discovery on these issues. Defendant's motion for summary judgment that it complied with paragraphs 6, 7, 8 and 10 of the settlement agreement should therefore be denied.

For the reasons set forth in the accompanying memorandum of law, the Court should deny Defendant's motion for summary judgment on Count I of the Complaint and should grant Plaintiff's motion for partial summary judgment on Defendant's noncompliance with paragraph 5 of the settlement agreement.

/s/ Matthew F. Medeiros
Matthew F. Medeiros (#1856)
LITTLE MEDEIROS KINDER BULMAN
& WHITNEY, P.C.
72 Pine Street
Providence, Rhode Island 02903
401-272-8080
401-521-3555 Fax
mfm@lmkbw.com

Michael H. Selter (pro hac vice)
Stuart E. Benson (pro hac vice)
Manelli Denison & Selter PLLC
Suite 2000 M Street, N.W., Suite 700
Washington, D.C. 20036
Tel. 202-261-1000
Fax 202-887-0336

Dated: July 2, 2007

Counsel for Plaintiff/Counterclaim Defendant

CERTIFICATION

I hereby certify that on July 2, 2007, a copy of the foregoing Plaintiff's Objection to Defendant's Summary Judgment was filed electronically. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system, or by e-mail or to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

Jessica L. Papazian-Ross jlpr@viscontilaw.com

Girard R. Visconti, Esq. grv@viscontilaw.com

/s/ Matthew F. Medeiros

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CONSORZIO DEL PROSCIUTTO DI SAN DANIELE,	)	
Plaintiff,	)	C.A. No. 07-039ML
v.	)	
DANIELE, INC.,	)	
Defendant.	)	

PLAINTIFF'S MEMORANDUM IN SUPPORT OF ITS OBJECTION TO
DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

Defendant has moved for summary judgment on Count I of the Complaint. Its motion should be denied.

With regard to the meaning of paragraph 5 of the settlement agreement, Defendant's motion is in large part the flip side of Plaintiff's motion for summary judgment. Both motions center on the interpretation of the following sentence of paragraph 5 of the settlement agreement: "Daniele shall cease its use of the DANIELE word and logo trademarks in connection with the sale of prosciutto and ham and shall use a different trademark, bearing no resemblance to 'San Daniele,' for the sale of prosciutto and ham." Both sides contend that the sentence is unambiguous, for very different reasons.

Defendant claims to be using multiple trademarks for its prosciutto products. But it is using those alleged marks only on its individual prosciutto products. It has adopted no trademark for its prosciutto as a whole. Without a trademark for its prosciutto as a whole, what is its line of prosciutto to be called? The answer is: It is being called "Daniele prosciutto." And it is being called “Daniele prosciutto” because, in the absence of a trademark, the only name applicable to Defendant’s line of prosciutto is its trade name, Daniele, Inc.

The gravamen of Plaintiff’s case, and the basis of its motion for summary judgment, is that the settlement agreement required Defendant to change its trademark for its line of prosciutto from “DANIELE” to a different trademark. Defendant has not done that. The question for the Court, therefore, is whether paragraph 5 permits Defendant to use only trademarks for individual prosciutto products and no trademark for its line of prosciutto.

On this central question, Plaintiff’s motion should be granted and Defendant’s should be denied. In plain, ordinary language, paragraph 5 required Defendant to replace its DANIELE trademark with a different trademark for the sale of its line of prosciutto. The agreement provided for a single trademark because it was directed at the replacement of Defendant’s DANIELE trademark with a different trademark for its line of prosciutto as a whole.

In taking the contrary view, Defendant never addresses this central point. It writes vaguely about having five different trademarks.

Defendant takes the position that “a different trademark” means one or more trademarks. In doing so, it is forced into a self-contradictory position: it claims that it has “utilized a different trademark, five (5) in number, on its packaging labels …” Def. Mem. 7. How “a different trademark” can be five in number, it does not explain. The contradiction in Defendant’s position is that “a different trademark” was intended to be for its prosciutto as a whole, whereas its alleged five trademarks are for individual products only.

It is Plaintiff’s interpretation of paragraph 5 that is consistent with, and explained by, the history and purpose of the settlement agreement. Prior to the settlement, Defendant tried to use its “DANIELE” trademark to create confusion in the minds of the purchasing public between its prosciutto and San Daniele prosciutto. It traded on the good name of San Daniele. In the Settlement Agreement, Defendant was to use "Daniele, Inc." as its trade name and was to change its "DANIELE" trademark to a different mark for its prosciutto. And it was to endeavor to avoid confusion between its trade name, Daniele, Inc., and San Daniele prosciutto. The use of "Daniele, Inc." as its trade name without a trademark for its prosciutto as a whole leaves no way to distinguish Defendant's line of prosciutto from San Daniele prosciutto.

In the alternative, Defendant argues that if the Court finds paragraph 5 to be ambiguous, the ambiguity should be interpreted against Plaintiff. The settlement agreement, however, was negotiated by commercial parties with the assistance of counsel, so the principle of *contra proferentem* does not apply. Moreover, if the Court finds that paragraph 5 is ambiguous, then the parties are entitled to introduce extrinsic evidence concerning its meaning. In such event, therefore, the Court should deny Defendant's motion for summary judgment and allow the parties to conduct discovery.

Defendant recognizes that, even if the Court agrees with its interpretation of paragraph 5, Defendant still must show that its five alleged "trademarks" in fact operate as trademarks – that they designate the source of Defendant's prosciutto products. Plaintiff alleges that Defendant's terms are merely descriptive of the goods and serve only to designate the grade or style of the products. They do not serve as indications of the source of the goods. The Court's determination on this question should be based on evidence concerning the meaning and use of Defendant's alleged trademarks. Some of this evidence will be developed through discovery. Thus, even if the Court agrees with Defendant's interpretation of paragraph 5, Defendant's motion for summary judgment still should be denied.

Defendant also asserts that it has complied with the other provisions of the settlement agreement. It asks the Court to accept this assertion based only on the conclusory affidavit of Vlado Dukcevich, its Vice President and Treasurer. Defendant's compliance with the other provisions of the settlement agreement, however, very much presents genuine issues of material facts. Plaintiff has evidence that Defendant previously did not comply with the size requirements of paragraph 6 and the "Made in the USA" requirements of paragraph 7. Plaintiff also has evidence that Defendant violated the requirement of paragraph 8 that it cease using marketing materials implying a connection with San Daniele and that it violated paragraph 10 requiring the parties to endeavor to avoid confusion between their respective marks. Defendant's motion for summary judgment that it has complied with all of the provisions of the settlement agreement should be denied.[1]

I. Paragraph 5 Requires Defendant To Use A Trademark For The Sale Of Its Line Of Prosciutto

The factual context for the Court's interpretation of paragraph 5 is not disputed by the parties. Prior to the settlement agreement, Defendant used "DANIELE" as its trademark for its line of prosciutto. After the settlement agreement, Defendant is not using one trademark for its line of prosciutto. Rather, the only term that is being used on all of Defendant's prosciutto products is Daniele, Inc. The agreement prohibits use of this name as a trademark, since it resembles "San Daniele."

[1] Defendant asserts that if the Court grants its summary judgment motion seeking dismissal of Count I of the Complaint, it will file a summary judgment motion seeking dismissal of Counts II and III of the Complaint. If, as Plaintiff submits, the Court should deny Defendant's pending motion, there will be no basis for Defendant to seek dismissal of Counts II and III.

A. Paragraph 5 Unambiguously Requires Defendant To Use A Different Trademark For The Sale Of Prosciutto And Ham

The meaning of paragraph 5 is clear when one reads the sentence in its entirety:

> Daniele shall cease its use of the DANIELE word and logo trademarks in connection with the sale of prosciutto and ham and shall use a different trademark, bearing no resemblance to "San Daniele," for the sale of prosciutto and ham.

In plain, ordinary language, this sentence required Defendant to replace its DANIELE mark with "a different trademark" for its line of prosciutto.

As Plaintiff has pointed out, when the agreement referred to Defendant's trademark for the sale of prosciutto, it used the singular. It used the singular because it contemplated a replacement of "Daniele" as Defendant's trademark for its line of prosciutto with a different trademark for the same purpose. It contemplated a single, valid trademark for Defendant's line of prosciutto so as to prevent confusion between Defendant's trade name, "Daniele, Inc." and San Daniele prosciutto. Pl. Mem. 9.

Defendant's position is that paragraph 5 allows it to use five different trademarks for the sale of prosciutto and ham. Indeed, it claims that "it can use as many different trademarks as it wants." Def. Mem. 8. According to Defendant, if Plaintiff had wanted to restrict Defendant to using only one trademark, it should have said "shall use 'one trademark….'" Def. Mem. 11. But Defendant's interpretation requires "a different trademark" to be interpreted as "one or more" trademarks. That is contrary to its plain meaning. And it is Defendant who now claims five trademarks and to have used three of them prior to the settlement agreement. If that were true, it could have sought agreement on the use of those multiple trademarks. It did not. It accepted an agreement requiring it to replace its DANIELE mark with "a different trademark" for the sale of prosciutto and ham. It was Defendant who had knowledge of its trademarks and products and it was up to it to raise this issue. Defendant understood, or should have understood, the plain meaning of paragraph 5, which was to require a trademark for its line of prosciutto in the place of its DANIELE mark.

Defendant cannot even state its case in grammatical English: it claims that it has "utilized a different trademark, five (5) in number, on its packaging labels." Def. Mem. 7. How "a different trademark" can be five in number, Defendant does not explain. Its inability to describe its position in coherent fashion says much about its position. Its problem is that "a different trademark" in paragraph 5 addresses its prosciutto as a whole, whereas its alleged five trademarks are for individual products and not for the line as a whole.

Not surprisingly, Defendant offers no dictionary definition and no other support in fact or law for the proposition that "a" means one or more. It offers only the argument that "a" means more than one because the sentence contains no express restriction or limitation on the number of trademarks. But Defendant itself quoted from Garden City Treatment Center v. Coordinated Health Partners, Inc., 852 A.2d 535, 542 (R.I. 2004): "Because ambiguity lurks in every word, sentence, and paragraph in the eyes of a skilled advocate…the question is not whether there is an ambiguity in the metaphysical sense, but whether the language has only one reasonable meaning when construed, not in a hyper-technical fashion, but in an ordinary, common sense manner." Def. Mem. 10. Plaintiff agrees. The term "a different trademark," when construed "in an ordinary, common sense manner" means one, not multiple, trademarks for the sale of prosciutto and ham.

Moreover, under Defendant's interpretation, paragraph 5 would be a mere prohibition against the use of any mark resembling San Daniele. But paragraph 5 is not phrased as a simple prohibition. It imposes two affirmative obligations: to cease use of the DANIELE trademark and to use "a different trademark" for the sale of prosciutto and ham. Defendant's interpretation would treat the second half of the sentence as largely surplus language, eliminating all but the words "bearing no resemblance to 'San Daniele.'" But this clause is only part of the sentence. Indeed, it constitutes an additional requirement, set off by commas from the rest of the phrase. The sentence can be read without it and the central point of the second half of the sentence remains: Defendant "shall use a different trademark…for the sale of prosciutto and ham."

If the parties had meant what Defendant now suggests, the sentence at issue would have been phrased differently. The second half of the sentence only makes sense as a requirement to use a different trademark for Defendant's line of prosciutto, in place of its DANIELE mark.

Defendant's interpretation is also contrary to the purpose of the settlement agreement. The agreement was intended to prevent confusion between the parties' trademarks and trade names. Without a trademark for its line of prosciutto, Defendant's only name for it is "Daniele, Inc." This explains the affirmative obligation imposed by paragraph 5. Plaintiff has pointed to evidence that third parties are calling Defendant's prosciutto, "Daniele prosciutto." Pl. Mem. 12. See additional examples at **Plaintiff's Ex. 14**, attached hereto. Defendant's interpretation, which would permit such confusion, should be rejected by the Court as contrary to the purpose of the settlement agreement.

In summary, paragraph 5 unambiguously requires Defendant to use a different trademark for its sale of prosciutto and ham. In using no trademark for its prosciutto as a whole and only trademarks for individual prosciutto products, Defendant is in violation of paragraph 5. Defendant's motion for summary judgment with respect to paragraph 5 should be denied and Plaintiff's motion should be granted.

B. Any Alleged Ambiguity Should Not Be Decided On Summary Judgment

Defendant asserts that, if the Court finds paragraph 5 to be ambiguous, the Court should construe the ambiguity against the Consorzio. It bases this notion on the claim that paragraph 5's first sentence is identical to that of paragraph 3 of the original settlement agreement, which was drafted by the Consorzio. It cites cases for the proposition that contracts should be construed against the drafting party.

The rule of *contra proferentem*, however, does not apply to contracts that were the subject of negotiations between equal parties that were represented by counsel in the negotiations. FDIC v. Ins. Co. of N. Am., 105 F.3d 778, 786-87 (1st Cir. 1997)(applying Massachusetts law); FabArc Steel Supply, Inc. v. Composite Construction Systems, Inc., 914 So.2d 344, 360 (Ala. 2005)(applying Alabama law and citing cases from California, Wisconsin, Pennsylvania, Massachusetts, and Colorado); Joyner v. Adams, 87 N.C. App. 570, 361 S.E.2d 902, 905-06 (1987)(applying North Carolina law); E.I. du Pont Nemours & Co. v. Shell Oil Co., 498 A.2d 1108, 1114 (Del. 1985)(explaining that the rule of *contra proferentem* is one of "last resort" and "the justification for applying such rule pales in a situation … where the terms of an agreement resulted from a series of negotiations between experienced drafters").

This is true even though Plaintiff originally suggested the language that became part of paragraph 5 because the settlement agreement was negotiable and the language was the subject of negotiation between the parties. "Although the language … was not changed from the first draft prepared by [Defendant's counsel], when a contract is negotiable and there is no indication that the other party objected to the language proposed in the first draft, application of the rule of *contra proferentum* [*sic*] is not required." DBSI Signature Place, LLC v. BL Greensboro, L.P., 2006 U.S. Dist. LEXIS 86367, *25 n.11 (D. Ida. 2006).

In this case, the parties negotiated the language at issue. Paragraph 5 was modified to refer to Defendant's DANIELE trademark in both word and logo form – at the request of Defendant. During negotiations, Defendant proposed to delete the second half of the first sentence of paragraph 5. See letter of counsel, January 31, 2005 (**Ex. 15)** (proposed paragraph 4 of draft agreement). On another occasion, Defendant proposed that paragraph 5 be changed to provide merely a prohibition on the use of any trademark that resembles "San Daniele." Plaintiff rejected that proposal and insisted on the language that is contained in paragraph 5 of the agreement as signed, that in addition, Daniele must have "a different trademark" for the sale of prosciutto. Defendant now is arguing that the unambiguous meaning of paragraph 5 is the self-same narrow prohibition that it proposed and that was rejected. Those negotiations serve as an additional demonstration that Defendant's current position is not rational. See letter of counsel, February 22, 2005 (**Ex. 16**) (proposed change to paragraph 5).

A finding of ambiguity would necessitate the introduction of extrinsic evidence. Summary judgment now would not be appropriate.

II. The Validity Of Defendant's Alleged Trademarks Presents Genuine Issues Of Material Fact

If the Court agrees with Plaintiff's interpretation of paragraph 5, it need not consider whether Defendant's alleged trademarks are in fact valid. If, however, the Court agrees with Defendant's interpretation, it must then eventually resolve this question because unless Defendant's alleged marks are valid, Defendant has failed to comply with the settlement agreement. As explained below, this determination should be made after a complete presentation of the facts. Summary judgment now is premature. Plaintiff needs discovery to confirm the descriptiveness of Defendant's alleged trademarks.

A. Whether Defendant's Terms Are Suggestive Is A Question Of Fact

Defendant does not dispute that any trademark it uses for its prosciutto must be just that – a valid trademark. It does not dispute that merely descriptive terms are not trademarks unless they have acquired "secondary meaning" – that is, have become associated in the minds of purchasers with a single source. And it does not claim that its alleged trademarks have acquired secondary meaning. Instead, Defendant bases its motion on the allegation that its designations are inherently distinctive. Specifically, it claims that they are "suggestive" rather than descriptive of its goods, and are therefore valid trademarks.

The law in the First Circuit on the distinctiveness of trademarks has been summarized as follows:

> A court's inquiry into whether a term merits trademark protection starts with the classification of that term along the spectrum of "distinctiveness." At one end of the spectrum there are generic terms that have passed into common usage to identify a product, such as aspirin, and can never be protected. In the middle there are so-called descriptive terms, such as a geographical term, which can be protected, but only if it has acquired a "secondary meaning" by which consumers associate it with a particular product or source. At the other end of the spectrum, there are suggestive, arbitrary and fanciful terms that can be protected without proof of secondary meaning. These terms are considered "inherently distinctive."
>
> "A term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods."…Merely descriptive terms generally are not entitled to protection under trademark law "both because they are a poor means of distinguishing one source of services from another and because they are often necessary to the description of all goods or services of a similar nature."

Equine Technologies, Inc. v. Equitechnology, Inc., 68 F.3d 542, 544 n.2 (1st Cir. 1995) (citations omitted). See generally J.T. McCarthy, Trademarks and Unfair Competition, Fourth Ed. 2005, § 11.2 (hereinafter "McCarthy").

The question of whether words are descriptive is a question of fact. Equine Technologies, Inc., 68 F.3d at 544 n.2; Wiley v. American Greetings Corp., 762 F.2d 139, 141 (1st Cir. 1985); McCarthy § 11.3. Professor McCarthy discusses the need to consider each case in the light of the rationale behind the distinction and gives a list of six illustrative factors to consider. McCarthy § 11:71 at 11-137-139 (see Def. Mem. 13-14). Accordingly, if the Court agrees with Defendant's interpretation of paragraph 5, it should deny Defendant's motion as premature and allow the development and presentation of facts bearing on the question whether Defendant's marks in fact are suggestive.

B. Defendant's Designations Are Presumptively Descriptive

Certain types of marks are deemed descriptive because they convey information about the product. As a consequence, they do not indicate the source of the goods and therefore are not trademarks. The Restatement (Third) on Unfair Competition ("Restatement") in describing the law on descriptiveness, states in part as follows:

> In general, if a word directly conveys information about the product or business with which it is used, other than information relating to source or association with a particular entity, the word is 'descriptive.' …Indications of size, quantity, or capacity are also descriptive, as are laudatory terms such as "premium" or superior."
> …
> Designations adopted by a seller merely to distinguish the various styles, grades, or models of its goods are also descriptive. Even when the lexicographic meaning of the term is "arbitrary" with respect to the goods, its use to describe a particular style or model of the seller's goods undermines the likelihood that the designations will also serve to indicate source.
> …
> Similar rules apply to words in a foreign language. If a descriptive foreign word is similar to its English equivalent, prospective purchasers are likely to understand the word in its descriptive sense, and proof of secondary meaning is therefore required to establish trademark rights. Thus, OPTIQUE for eyeglasses and SELECTA as the Spanish equivalent of "select" for beer are descriptive.

Restatement, § 14 Comment a. (Emphasis added.) See also Reporters' Notes, Comment a.

As noted in the Restatement, self-laudatory terms are inherently descriptive and cannot be reserved by one party. Professor McCarthy writes:

> Marks that are merely "laudatory" and descriptive of the alleged merit of a product are also regarded as being "descriptive." This includes such terms as SPEEDY, FRIENDLY, DEPENDABLE, PREFERRED, DELUXE, GOLD MEDAL, BLUE RIBBON, SUPER BUY, and the like.

McCarthy § 11:17 (citations omitted).

Defendant's designations are grade or style designations, self-laudatory terms, or both. And they are otherwise descriptive of the goods.

Grade or Style Designations

The designations of Defendant's prosciutto products represent different grades or styles of its prosciutto. In some cases, this is indicated expressly on their labels:

- Defendant's "GRAN PREMIO" prosciutto is sold as a whole thigh. It is described on the label as "Boneless & Shankless Prosciutto" and as follows: "Gran Premio is a specially aged…Prosciutto that is hand-selected for its superior trim, color, taste and size. Limited in quantity…" (**Ex. 2**).
- Defendant's "PRESIDENT'S RESERVE 400" prosciutto is sold as a whole thigh. It is described on the label as "Boneless Prosciutto" and as follows: "President's Reserve 400 is a specially aged…Prosciutto that is hand-selected by the President of Daniele, Inc. for its superior trim, color, taste, and size. Limited in quantity…" (**Ex. 2**.) Defendant's "President's Reserve 400" prosciutto is aged at least 400 days. Deposition Transcript of Vlado Dukcevich, October 1, 2004 (**Ex.27**), at 128.

- Defendant's "PRESIDENT'S" prosciutto is sold as a whole thigh. It is described on the label simply as "Boneless" and "Naturally aged 7 to 15 months." (**Ex. 2**.)
- Defendant's "DELI-CUT-O" prosciutto is sold as a boneless filet. (**Ex.13**, **Ex. 27** at 128-129).

The then-President of Defendant, Vlado Dukcevich, effectively confirmed that these are separate grades or styles of Defendant's prosciutto. He testified that "Gran Premio" prosciutto (formerly called "Cento per Cento") is "shankless, skinless, fatless, so you can slice 100 percent;" "President's Reserve 400" prosciutto is aged 400 days; "President's" prosciutto (formerly called "Daniele") is aged less than 400 days; and "Deli-Cut-O" is a boneless filet of prosciutto. (**Ex. 27** at 128-129).

Self-Laudatory Terms

Each of the following also has a descriptive meaning that relates to, and corresponds with, the grade or relative quality of the product on which it is used:

- "Gran Premio" means "grand prize" in Italian. See Defendant's application for registration of "Gran Premio" for prepared meat and prosciutto, filed April 23, 2007. Def. Ex. A, p. 18. The name suggests that this is Defendant's highest grade of prosciutto.
- "President's Reserve 400," as stated on the label, suggests that it is selected by the President of the company and is of special quality. "400" signifies that the product has been aged at least 400 days. (**Ex. 27** at 128-129).
- "President's" suggests selection by, or preference of, the President of the company, and therefore high quality, but not as high as "President's Reserve 400."

- "RISERVA" means "reserve" in Italian. See Ex. 18 hereto. It is used to signify a limited, high-quality stock. Id.

The prosciutto sold by Defendant in packages of pre-sliced product bears the designation, "President's." (**Ex. 2**). Presumably, this is the same grade of prosciutto as the prosciutto sold under the name "President's" as a whole thigh. Plaintiff needs to conduct discovery on this question.

One factor in determining whether a term is descriptive is whether it is used by other producers in the relevant industry to describe their goods. In this case, the terms used by Defendant and, where appropriate, their equivalents in English are in common use for the sale of prosciutto or other meats. Selected examples are as follows:

"GRAN PREMIO" is equivalent to "grand prize," "grand award," or "grand premium." Prosciutto, ham generally, and other meats are routinely the subject of prizes or awards, and high quality meats are often referred to "prize hams," as an example. A member of the Consorzio describes one prosciutto product on its label as "Premium Quality." (**Ex. 17**).

"RESERVE" is often used by producers of prosciutto and other meats to describe products of special quality. This includes a member of the Consorzio. (**Ex. 18**).

Otherwise Descriptive

Defendant's term DELI-CUT-O is directly descriptive of the nature and purpose of the product. It is used on prosciutto that is made to be cut in a delicatessen. Prosciutto is one of the products known as "deli meats" and is referred to as such. Defendant's own line of meats is referred to as "deli products." Producers of deli meats often describe their products as "deli cuts" or as being "deli-cut." For examples, see (**Ex. 19**). The term DELI-CUT-O has no other meaning. It cannot pinpoint one source by identifying and distinguishing only one seller.

Names similar to DELI-CUT-O have been found to be merely descriptive and not suggestive. These include, for example: SQUEEZE ‘N SERVE for a ketchup container (merely descriptive of a feature of the product),[2] HONEY ROAST for roasted nuts (while being slightly imaginative, the term forthwith conveyed an immediate idea of the ingredients and qualities of the product),[3] CHARTER for a bank (term used frequently to describe banks, did not require much imagination to connect banks and the requirement that they be chartered),[4] and FASHIONKNIT for ties and sweaters.[5] Many more examples can be found at McCarthy § 11:24. Like these names, DELI-CUT-O is merely descriptive.

C. Defendant’s Designations Are Not Suggestive Merely Because They Do Not Identify Characteristics Particular To Prosciutto

Defendant’s sole basis for its position that its designations are “suggestive” as a matter of law is that, if seen separately from Defendant’s prosciutto products, its designations would not be recognized as describing prosciutto in particular. Defendant’s position is contrary to the Restatement and the cases cited by McCarthy, discussed above at 10.

Further, Defendant’s position is not supported by the cases it cites. Def. Mem. 14-20. None involved self-laudatory marks or style or grade designations. None found the designation to be suggestive just because, if seen separately from the product, it did not specifically identify the product. To the contrary, in each case, the court found that the designation required a degree of imagination on the part of purchasers that is not required by Defendant’s designations.

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[2] In re Serv-A-Portion, Inc., 1 USPQ2d 1915, 1916-17 (TTAB 1986).
[3] Eagle Snacks, Inc. v. Nabisco Brands, Inc., 625 F. Supp. 571, 580 (D.N.J. 1985).
[4] Charter Nat. Bank and Trust v. Charter One Financial, Inc., 65 USPQ2d 1684, 1687 ((N.D. Ill. 2001).
[5] Franklin Knitting Mills, Inc. v. Fashionit Sweater Mills, Inc., 297 F. 247, 248 (D.N.Y. 1923), aff’d, 4 F.2d 1018 (1925).

Defendant cites two principal cases in support of its position. In the first case, Worthington Foods, Inc. v. Kellogg Co., 732 F. Supp. 1417 (S.D. Ohio 1990), the mark was HEARTWISE and was used on microwaveable meat substitute hot foods and meals. The court found that HEARTWISE had a descriptive element to it – that the product was good for the heart. However, consumers had to use some imagination to gather this message. Specifically, they had to engage in a multiple-stage reasoning process, namely (1) the mark conveyed a concern about the health of the heart, (2) the food was low cholesterol, (3) there is a connection between cholesterol and heart disease, and (4) the food, which was low cholesterol, was wise for the heart because it reduced the chance of heart disease stemming from excessive cholesterol. Worthington Foods, Inc., 732 F. Supp. at 1434-1435. Most importantly, the court considered the argument advanced by Defendant here and rejected it.

> This argument, however, proves nothing. Even an obviously descriptive mark such as BLUE RIBBON does not bring to mind an exact product, but instead may refer to a myriad of products which may merit blue ribbons at contests, such as pies, cake, and pickled vegetables. Therefore, the mark cannot escape from the descriptive category simply because it does not bring to mind any one product when scrutinized in the abstract.

Id. at 1434.

The second principal case cited by Defendant, Independent Nail & Packing Co., Inc. v. Stronghold Screw Products, Inc., 205 F.2d 921, 925 (7th Cir. 1953), cert. denied, 346 U.S. 886 (1953) is distinguishable because the court had other reasons to find the mark to be distinctive. A district court discussing this case made this point and wrote:

> If by this the court meant that in order to be descriptive a term must identify, at least impliedly, the product, I disagree. Describing a characteristic, a quality or an attribute of the product is sufficient… To hold otherwise would mean that words like "Superior", "Best" and "Super", all of which claim merely the excellence of a product, would be considered suggestive. Indeed, under this view only nouns could be considered descriptive. The consequence would make the exclusion of generally descriptive terms from trademark protection meaningless.

Union Carbide Corp. v. Ever-Ready Inc., 392 F. Supp. 280 (N.D. Ill. 1975), rev'd on other grounds, 531 F.2d 366, cert. denied, 429 U.S. 830 (1976). This language has been quoted with approval by another court. Educational Development Corp. v. Economy Co., 1976 U.S. Dist. LEXIS 16197, 192 USPQ 179 (N.D. Okla. 1976), aff'd, 562 F.2d 26 (10th Cir. 1977).

The other cases Defendant cites also do not support its position. As to the COPPERTONE mark for a sun tan lotion, the court found that "copper" and "tone," as color terms, had "at best derivative meaning." "Tone" is used primarily for sound and the actual red color of copper is not achievable as a tan. Coupled together for a sun tan lotion, they formed a fanciful idea. Douglas Laboratories Corp. v. Copper Tan, Inc. 210 F.2d 453, 456 (2nd Cir. 1954), cert. denied, 347 U.S. 968 (1954).

The mark WINNER'S CIRCLE was used on auto racing, speed, performance and custom automotive equipment. The court found that the name required the operation of a person's imagination to associate "'winning,' or a place for winners, with plaintiff's racing, speed, performance and custom automotive equipment." Bingham v. Inter-Track Partners, 234 Ill. App. 3d 615, 600 N.E.2d 70 (1992). This case can be analogized to the Worthington case, supra. The mark required a multi-step process of reasoning to cull a direct message about the quality, ingredients or characteristics of the product. It suggested that the goods would help one to win, and therefore to go to the winner's circle, but did not explain how.

The mark SWEETARTS was used on toffee and mixed chocolates. It is a coined term. The court found that it was not found in the dictionary, and that it was "uncommon, arbitrary, and distinct." Sweetarts v. Sunline, Inc. 380 F.2d 923, 927 (8th Cir. 1967).

The mark ORANGE CRUSH was used on a beverage made with orange crush. The court found that (in 1924) crushed fruits were known by the public only as foods, and the term "crush" had never been applied to a beverage, so consumers would not understand when buying a beverage that they were getting a crushed orange. In any event, the court did not have to rely on inherent distinctiveness because the mark had long since acquired secondary meaning and was associated in the public mind with the owner's products. Orange Crush Co. v. California Crushed Fruit Co., 297 F. 892, 893 (D.C. Cir. 1924).

The mark CITIBANK was not merely descriptive, according to the court, because "citi" did not describe a class of banking services or a characteristic of banking services. At most, the mark suggested a modern or urban bank. The court found that it indicated not a type of service, but a provider of that service. Citibank v. Citibanc Group, Inc., 724 F.2d 1540, 1545 (11th Cir. 1984).

These cases did not involve self-laudatory terms or grade or style designations. And they involved terms that required at least some imagination to connect the message with the product. Defendant's designations are self-laudatory, grade and style designations, and are otherwise merely descriptive of the goods, requiring no imagination. They are not suggestive and are not trademarks.

D. Plaintiff Needs To Take Discovery On These Issues

Plaintiff has not moved for summary judgment on the issue whether Defendant's alleged marks are in fact valid because whether the marks are descriptive should be determined based on the presentation of a fully developed record after discovery. Issues that need to be developed during discovery include, for example, whether the goods on which the designations are used are in fact different grades or styles of its prosciutto. Plaintiff claims they are. Defendant has denied it.

Plaintiff also needs discovery to determine how, if at all, Defendant's designations are being used as trademarks by Defendant in the marketing and sale of its prosciutto. How they are used is a factor in the determination of whether they are trademarks under the law. For example, to Plaintiff's knowledge, on all of Defendant's labels bearing these designations, the trade name "Daniele, Inc." appears at the top of the label, followed by the descriptive designation "Gran Premio," "President's Reserve 400," "President's," or "Deli-Cut-O." Pl. Ex. 2. That is, none of these designations is ever used by Defendant separate from its trade name, Daniele, Inc.

Questions such as these require discovery and perhaps trial. Given the presumptively descriptive nature of the alleged marks and the lack of discovery, Defendant's motion for a determination that these marks are suggestive as a matter of law should be denied.

III. Defendant's Compliance With Other Provisions Of The Settlement Agreement Presents Genuine Issues Of Material Fact

Defendant also requests summary judgment as to violations of other provisions of the settlement agreement alleged by Plaintiff (paragraphs 6, 7, 8 and 10). Defendant states in a single sentence that it has complied with all of these requirements. Def. Mem. 7-8.

Defendant offers no factual support for its alleged compliance with paragraph 10. Its only factual support for its alleged compliance with paragraphs 5 through 7 is a general reference to the labels attached to the affidavit of Vlado Dukcevich. Def. Mem. 5. Presumably, Defendant is referring to various versions of its labels set forth at pages 21-33 of its Exhibit A. Defendant does not indicate which versions are current. For example, Defendant's Exhibit A shows three different labels for its "President's Prosciutto." Def. Ex. A, pp. 22, 31 and 32.

Under Rule 56, the party seeking summary judgment must show that it is entitled to judgment as a matter of law. Defendant has not provided sufficient evidence to make this showing. Its motion should summarily be denied for this reason alone on these issues.

Under Rule 56, a party seeking summary judgment must also show that there are no genuine issues of material fact. As Plaintiff shows below, there are many such genuine issues as to whether Defendant has complied with the agreement. The Court should deny Defendant's summary judgment motion on these issues for this reason alone.

Plaintiff points out that it does appear that Defendant is at the moment complying with the size requirements of paragraph 6 and the "Made in the USA" requirement of paragraph 7 of the agreement. Such compliance came after the deadlines set forth in paragraph 8 of the agreement and only after Plaintiff's complaints to Defendant and the filing of this lawsuit. Defendant's present compliance with paragraphs 6 and 7 does not excuse its past non-compliance. Plaintiff is entitled to damages for the period of non-compliance with these provisions under its claims of breach of contract, false designation of origin and trademark infringement. Plaintiff is also entitled to an accounting of Defendant's profits during the period of non-compliance under the latter two claims, as well as other remedies. 15 U.S.C. § 1117.

Moreover, even if Defendant is presently in compliance with paragraphs 6 and 7 of the agreement, Plaintiff nonetheless will be entitled to an injunction requiring Defendant to comply with these provisions. "It is well settled that a defendant's voluntary cessation of a challenged practice does not deprive a federal court of its power to determine the legality of the practice." City of Mesquite v. Aladdin's Castle, Inc., 455 U.S. 283, 289 (1982). Otherwise, "the courts would be compelled to leave '[t]he defendant … free to return to his old ways.'" Id. at 289 n. 10 (quoting United States v. W.T. Grant Co., 345 U.S. 629, 632 (1953). A case may become moot only "if subsequent events made it absolutely clear that the allegedly wrongful behavior could not reasonably be expected to recur." Friends of the Earth, Inc. v. Laidlaw Environmental Services (TOC), Inc., 528 U.S. 167, 189 (2000). The "heavy burden of persua[ding] the court that the challenged conduct cannot reasonably be expected to start up … lies with the party asserting mootness." Id. The reform of the defendant must be irrefutably demonstrated and total. Pic Design Corp. v. Bearings Specialty Co., 436 F.2d 804 (1st Cir. 1971); see Electronics Corp. of America v. Honeywell, Inc., 428 F.2d 191 (1st Cir. 1970)(false advertising).

Defendant cannot meet this heavy burden. The factors to be considered are the length and number of instances of the challenged conduct, the failure to terminate the conduct until after the initiation of litigation, the defendant's failure to concede that the challenged conduct was illegal and the defendant's promise (or failure to promise) that the conduct would not be repeated. W.T. Grant Co., 345 U.S. at 634.

Here, Defendant signed a settlement agreement in 2003 and then filed a lawsuit claiming the agreement was invalid. The parties then signed the settlement agreement in 2005, supposedly resolving the lawsuit. As explained below, Defendant did not comply with the agreement, despite repeated complaints by Plaintiff, all the while maintaining that it was in compliance. Defendant continued to try to trade on the name and good will of San Daniele. It was only after Plaintiff's complaints and the filing of this second lawsuit that Defendant changed its labels to appear to be in compliance with paragraphs 6 and 7. In the light of this history, Defendant cannot show that it is absolutely clear that the allegedly wrongful behavior could not reasonably be expected to recur. Therefore, at the appropriate time, Plaintiff will move for an injunction seeking specific performance of paragraphs 6 and 7, as well as the other provisions of the agreement.

A. Defendant Violated Paragraph 6

Paragraph 6 of the agreement specified that Defendant's trade name must appear on its labels in letters no more than one-fourth the size of the letters of its trademark for prosciutto. In its Complaint, Plaintiff alleged that the label of Defendant's "President's" prosciutto, sold as a whole thigh, did not comply with this requirement. Complaint ¶ 45.

Defendant does not deny that it previously violated paragraph 6. Defendant states only that it is now in compliance with paragraphs 5-7, citing to the affidavit of Vlado Dukcevich. Def. Mem. 5. It also asserts that Exhibit A to the agreement illustrated the size requirements and the arrangement of both the logo and "the different trademark." Pl. Mem. at 4-5.

Defendant is mistaken about the significance of Exhibit A. The only point of Exhibit A, as quoted by Defendant itself from paragraph 6, was to illustrate Defendant's logo. There was no agreement on a specific trademark or the arrangement of Defendant's labels. And it was not intended as an exemplar of the size of the trade name and trademark. In fact, the Consorzio expressly reserved on the trademark included in Exhibit A and demanded that Exhibit A be marked, "Not Drawn to Scale." (See **Ex. 26**).

Defendant violated paragraph 6, as demonstrated by its own evidence. Pages 22 and 32 of its Exhibit A (affidavit of Mr. Dukcevich) show labels on which its trade name, "Daniele, Inc.," appears in letters greater than one-fourth the size of the letters of the alleged trademark, "President's." Copies of these pages are attached as **Ex. 20**.

Plaintiff notified Defendant of this breach of the agreement on November 23, 2005. Defendant did not correct it. On April 4, 2006, and again on September 11, 2006, Defendant's counsel sent to Plaintiff's counsel Defendant's "currently-used" labels. The offending label had not been corrected. (See **Ex. 21**). Only after Plaintiff filed the Complaint in this case did Defendant bring its label into compliance. On May 7, 2007, Defendant's counsel sent the new label, and said that Defendant was "now in full compliance" with the agreement.

Defendant did not comply with the agreement's size requirements before May 7, 2007. Its motion for summary judgment that it complied with paragraph 6 should be denied.

B. Defendant Violated Paragraph 7

Paragraph 7 of the agreement required that Defendant prominently indicate on its labels and marketing materials that its goods are made in the United States. In its Complaint, Plaintiff alleged violation of the requirement. Complaint ¶¶ 48-52.

Defendant does not deny that it previously violated paragraph 7. Defendant states only that it is in compliance with paragraphs 5 through 7 of the agreement, citing to the affidavit of Vlado Dukcevich. Def. Mem. 5.

Before February 21, 2007, Defendant used labels that did not prominently indicate that its goods were made in the United States. Copies of the offending labels are attached as **Ex. 22**.

Plaintiff notified Defendant of this violation on September 6, 2006. Plaintiff did not receive an answer from Defendant until February 21, 2007, after Plaintiff had filed the Complaint in this action. The labels at Exhibit A to Defendant's memorandum include the marking, "Made in USA" or "Product of USA." Defendant now appears to be in compliance with paragraph 7 of the settlement agreement.

Defendant did not comply with the agreement's "Made in the USA" requirements before February 21, 2007. Its motion for summary judgment that it complied with paragraph 7 should be denied.

C. Defendant Violated Paragraph 8

Paragraph 8 of the agreement required Defendant to cease its use of marketing materials implying a connection with San Daniele, except that it could use its old labels until June 30, 2005. In ¶¶ 53-62 of its Complaint, Plaintiff alleged violations of this requirement.

Defendant makes no mention of the violations alleged by Plaintiff. In fact, Defendant violated paragraph 8, as follows.

Defendant used the “DANIELE” trademark on its Web site well after the settlement agreement. When Defendant complained, it dropped the “DANIELE” mark but in some cases, in particular in the recipes, it used “Daniele, Inc.” as its trademark for prosciutto. (See Pl. Mem. 10-11 and **Ex. 7-11**). Not surprisingly, third parties have continued to call it “Daniele prosciutto.” Pl. Mem. 11 and **Ex. 12**; see also **Ex. 14**.

Defendant continued to use old labels at least until February 5, 2007, well after the June 30, 2005, deadline in the settlement agreement. Copies of some of the offending labels are at **Ex. 23**. See also the DELI-CUT-O label at **Ex. 22**; on the back, it still carries the logo with DANIELE-DANIELE, in violation of paragraph 8.

Defendant on its Web site, in the Spanish version, called its prosciutto, “prosciutto jamon Daniele.” This is Spanish for “Daniele prosciutto ham.” Plaintiff called this to Defendant’s attention on August 7, 2006. It was a violation of paragraphs 5, 8 and 10 of the agreement. Defendant never responded. It eventually changed the Web site to bring it into compliance, but only after Plaintiff filed the Complaint in this proceeding. (See **Ex. 24**).

Also on its Web site, Defendant continued to use “Daniele prosciutto” in its metatags or keywords. (See **Ex. 25**). Metatags and keywords are used by Web site owners to attract search engines to their Web sites. The use of a competitor’s trademark in one’s metatags to attract Internet users looking for the competitor’s Web site is an infringement of the trademark. See, e.g., Brookfield Communications v. West Coast Entertainment Corp., 174 F.3d 1036 (9th Cir. 1999). Plaintiff brought this to Defendant’s attention on August 7, 2006. Plaintiff has never responded and has not changed its Web site. The violation continues.

Defendant has violated and continues to violate paragraph 8 of the agreement. Defendant's motion for summary judgment that it complied with this provision should be denied.

D. Defendant Violated Paragraph 10

In ¶¶ 63-67 of the Complaint, Plaintiff alleged violation of the requirement in paragraph 10 of the settlement agreement that Defendant endeavor to avoid confusion between the parties' trademarks and trade names. Defendant in its motion and memorandum simply makes the statement that it has complied with paragraph 10, with no explanation. Def. Mem. 7.

As set forth in Plaintiff's opening memorandum and above, Defendant has violated paragraphs 5, 6, 7, and 8. These violations also constitute violations of paragraph 10. In addition, apart from its violation of these provisions and apart from whether its designations technically qualify as trademarks, Defendant is using no trademark for its line of prosciutto and is using designations so descriptive in nature as to ensure that "Daniele" will be its name for its prosciutto. It has not endeavored to avoid confusion with San Daniele. Quite the contrary.

Defendant's motion for summary judgment that it complied with paragraph 10 should be denied.

CONCLUSION

Defendant's motion for summary judgment should be denied. Plaintiff's motion for partial summary judgment with respect to noncompliance with paragraph 5 of the settlement agreement should be granted.

/s/ Matthew F. Medeiros
Matthew F. Medeiros (#1856)
LITTLE MEDEIROS KINDER BULMAN
& WHITNEY, P.C.
72 Pine Street
Providence, Rhode Island 02903
401-272-8080
401-521-3555 Fax
mfm@lmkbw.com

Michael H. Selter (pro hac vice)
Stuart E. Benson (pro hac vice)
Manelli Denison & Selter PLLC
Suite 2000 M Street, N.W., Suite 700
Washington, D.C. 20036
Tel. 202-261-1000
Fax 202-887-0336

Dated: July 2, 2007 **Counsel for Plaintiff/Counterclaim Defendant**

CERTIFICATION

I hereby certify that on July 2, 2007, a copy of the foregoing Plaintiff's Memorandum in support of its Objection to Defendant's Summary Judgment was filed electronically. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system, or by e-mail or to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

Jessica L. Papazian-Ross jlpr@viscontilaw.com

Girard R. Visconti, Esq. grv@viscontilaw.com

/s/ Matthew F. Medeiros